FINAL

MANAGEMENT AUDIT REPORT

OF

DEPARTMENT OF MUNICIPAL DEVELOPMENT

PARKS AND MEDIANS DIVISION

NEIGHBORHOOD PARK DEVELOPMENT

REPORT NO. 03-122



CITY OF ALBUQUERUQE OFFICE OF INTERNAL AUDIT



City of Albuquerque P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

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Internal Audit Committee City of Albuquerque Albuquerque, New Mexico

Audit: Department of Municipal Development

Parks & Medians Design

Neighborhood Park Development

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INTRODUCTION

The Office of Internal Audit performed a management audit of Department of Municipal Development (DMD), Parks & Medians Design Division (Design), Neighborhood Park Development. The audit was included in the fiscal year (FY) 2003 Audit Plan.

In 1980, the Design and Development Division (Design) was created within the Parks and Recreation Department (Parks). When the division was started, Design managed and designed the park projects. During the 1980s, the role of Design became project manager for the contracted consultants who designed the parks, and the contractors that built the parks. In 1998, Design was moved to the Mayor's Office, Capital Implementation Program Division (CIP). In 1999 another reorganization took place, and Design was moved from CIP back to Parks. When the fieldwork for this audit began in October 2002, Design was a division of Parks. This function is currently part of the DMD created July 1, 2003, as the Parks & Medians Design Division (Design). The division is now responsible for developing medians in addition to parks.

The funding for park development is obtained from three different sources. For the most recent three-year period, 70.4% was from bonds, 23.5% was from grants, and 6.1% was from development fees.

SCOPE

Our audit did not include an examination of all the functions, transactions, and activities related to park development. Our audit test work was limited to the following areas:

- Controls, policies, and procedures for appropriation, allocation, and management of funds for park development
- Analysis of park development process
- Verification and analysis of park development data and statistics
- Comparison of resources available versus expectations
- Review the adequacy of internal controls with respect to park development
- Compliance with City and departmental policies, procedures, and ordinances
- Compliance with State Statutes

This audit and its conclusions are based on information provided through interviews, tests and reviews of current procedures. We completed our fieldwork on March 17, 2004. We have based this report on our examination of activities through the completion date of our fieldwork, and it does not reflect events after that date. The audit was conducted in accordance with Government Auditing Standards, except Standard 3.49, which requires an external quality control review.

FINDINGS

The purpose of an internal audit is to identify changes in the auditee's activities that would improve its effectiveness, efficiency and compliance with administrative policies and applicable rules and regulations. Therefore, the auditee's activities that appear to be functioning well are not usually commented on in audit reports. The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

1. <u>THE CHIEF ADMINISTRATIVE OFFICER SHOULD RECOMMEND THAT THE</u> CITY COUNCIL REVISE THE PARK DEDICATION ORDINANCE.

The Park Dedication and Development Ordinance, 14-9-3-(A) ROA 1994, states its purpose "... to provide developed park space within one-half mile of every home, where practicable, in order to supply areas for recreational opportunities and visual relief to the population of the city." The Ordinance requires developers to give to the City 170 square feet of land, which is suitable for development of a neighborhood park, and pay a park development fee of \$78 for each house or "unit." The requirements have not changed since the ordinance was adopted in 1978.

Ordinance 14-9-4 ROA 1994 requires the Parks and Recreation Advisory Board (Board) to review the park development fee annually. We reviewed files containing minutes and other Board information from the years 2000 through 2004. An addendum to the April 15, 2002, minutes briefly mentioned rate increases. A copy of the board's annual report (report), addressed to the Mayor and City Council, for the year 2001, contained a section stating, "We strongly urge the City Council to consider raising the fees paid to the City by developers when they do not include a park in their development." These are the only documents that addressed increasing park development fees that we were able to locate.

Internal Audit and Design personnel flowcharted the park development process, and determined that the funding portion of the process is the main reason it takes so long to develop a neighborhood park. The cost of developing a neighborhood park is significantly higher than the fees a developer is required to pay. 14-9-3-(A) ROA 1994 requires developers to give 170 square feet of land that is suitable for the development of a neighborhood park and pay \$78 for each house being built in a sub-division. The City collects \$19,968 from developers to build a one-acre park. According to Design personnel, it costs an average of approximately \$180,000 per acre to develop a neighborhood park. This leaves \$160,000 of funding to be generated from other sources.

We selected four recently developed parks and compared the actual development cost for each park and park fees received from the developers. The following is a comparative analysis of our results:

Actual	Park	Funds From	Percentage
Development	Development	Other	Paid by
Cost	Fee	Sources	Development Fees
\$701,305	\$59,904	\$641,401	8.54%
\$332,306	\$65,894	\$266,412	19.83%
\$323,275	\$19,968	\$303,307	6.18%
\$452,460	\$51,917	\$400,543	11.47%
	Development Cost \$701,305 \$332,306 \$323,275	Development Cost Development Fee \$701,305 \$59,904 \$332,306 \$65,894 \$323,275 \$19,968	Development Cost Development Fee Other Sources \$701,305 \$59,904 \$641,401 \$332,306 \$65,894 \$266,412 \$323,275 \$19,968 \$303,307

Because the park development fee does not provide sufficient funding to develop a park, the funding shortfall must be obtained from bond issues or grants. Design management acknowledged that it currently takes between 7 to 10 years to develop a neighborhood park because the funding to complete parks is not readily available. If fee requirements are not changed, the time frame to develop a park will continue to be between 7 to 10 years.

We were told by both Design and CIP personnel that during 1996 the administration was in the process of finalizing the implementation of impact fees, but put the process on hold because of a challenge to State law. The Development Fees Act, 5-8-3 B NMSA 1978, states, "If it complies with the Development Fees Act, a municipality or county may enact or impose impact fees on land within its respective corporate boundaries." The Act further states, "An impact fee may be imposed only to pay . . . specified costs of constructing capital improvements . . . such as parks." The Planned Growth Strategy requires the City to bring back the subject of impact fees for discussion over the next two years. The City Council has hired an individual to implement the Planned Growth Strategy, and impact fees are a key part of this strategy.

We surveyed neighboring cities, and determined that some of these cities have implemented impact fees. For example, the City of Rio Rancho charges developers \$976/unit for park development, this greatly exceeds the \$78/unit park development fee charged by the City of Albuquerque. It takes the City of Rio Rancho an average of 18-months to develop a neighborhood park. The City of El Paso's Park Dedication Ordinance requires developers to develop one acre of park land for every 200 homes built. The park must be developed to the City's standards. It takes El Paso an average of 6 to 9 months to complete a park.

RECOMMENDATION

DMD should request the Parks and Recreation Advisory Board to review the park development fees as required by the Ordinance and recommend a change in park development fees as appropriate.

The Chief Administrative Officer (CAO) should recommend that the City Council revise the park dedication ordinance to require developers to pay fees that are sufficient to develop neighborhood parks.

The CAO should determine if the Board should continue to be responsible for the review of development fees.

EXECUTIVE RESPONSE FROM CAO

"The Administration agrees that the fee established by ordinance in 1978 is clearly inadequate to fund the development of neighborhood parks in a timely manner. While City personnel can estimate the average cost of developing an acre of park, the actual cost of park development varies widely depending on the location and topography of

the park, the total size of the park, and the facilities and amenities desired by the citizens in the area. The Administration understands that park development fees are one of many impact fees currently being studied in connection with an implementation plan for the PGS and believes that recommending an amendment of the park dedication ordinance at this time is premature.

"Any proposal to increase park development fees should be reviewed by the Parks and Recreation Advisory Board. As an advisory body, that is a proper function for the Board. However, recommendations should be proposed by the Administration and forwarded to the Board for their review and comment. The CAO, along with DMD, will review the charter of the Board for possible modification of the Board's role with respect to changes in park development fees."

EXECUTIVE RESPONSE FROM DMD

"It is unlikely that the Board has the necessary resources to actually review the park development fees. As the implementation plan for the PGS is developed, the DMD will ensure that the Board is involved in the review of proposed changes in the park development fee and proposed impact fees for park development."

AUDITORS COMMENT

Park development fees have not been increased since 1978. Based on the changes in the Consumer Price Index, it will take \$224 in 2004 to pay for the same goods or services acquired with \$78 in 1978. It is imprudent to further postpone increasing the park development fees.

2. THE DMD SHOULD ENSURE THAT THE FACILITY/MASTER PLAN FOR THE PARK SYSTEM IS ADOPTED AND UPDATED REGULARLY.

In 1993, Design developed a Park System Facility Plan. This plan "...identified park and recreation facility needs through the year 2001 based upon projected population growth, including land acquisition, renovation, new construction, design and maintenance guidelines, policy amendments, costs and project prioritization and phasing." This document was never adopted, and presently remains in draft form; however, it has been used as guidance for developing parks. Design stated the division lacked staff and

funding to adopt and implement the plan. The plan is not current; it must be updated to include the changes in city development.

The plan does not address how park projects will be prioritized. The City currently uses bond funds to partially fund many park projects. It may be more cost-effective to completely fund a few projects that have been ranked the highest in the master plan. This would eliminate the added costs spent on updating design plans that may have become outdated by the time parks are completed. This is inefficient and contributes to the delays in completing parks.

We conducted a survey with the following five southwestern cities: Colorado Springs, Colorado; El Paso, Texas; Omaha, Nebraska; Tucson, Arizona; and Rio Rancho, New Mexico. We asked the question, "Does your organization have an adopted master or facility plan for the park system?" Each of the five cities responded "Yes" to this question. Several of these cities are either in the process or have recently updated their plans. Albuquerque has a draft and is in the process of updating and adopting a master plan.

If a master facility plan for parks is adopted, the City can anticipate what park development needs are now and what they will be in 5 years or 10 years. If the City cannot anticipate and plan for future development, the resources needed such as land and funding may not be available. A current formally adopted master facility plan enables planners to take a proactive instead of a reactive approach when developing parks.

RECOMMENDATION

DMD in collaboration with Parks should update and adopt the master facility plan that incorporates anticipated City growth and allows DMD to prioritize the allocation of resources for park development.

EXECUTIVE RESPONSE FROM DMD

"DMD concurs and will implement the recommendation."

3. <u>DMD SHOULD IMPLEMENT PROCEDURES TO ENSURE THAT PARKS FISCAL</u> PERSONNEL ARE NOTIFIED OF JOINT-USE AGREEMENTS.

In FY 1997, the City of Albuquerque and Albuquerque Public Schools (APS) entered into a joint use agreement to share the cost of repair and maintenance of several City parks. The Parks Fiscal Manager was not informed of the outstanding balance or the agreement

until December 2001; therefore, APS was not billed for the maintenance costs. APS owed the City approximately \$440,000 for its share of park maintenance costs, for 12 parks. Subsequently, APS has paid \$274,526, which consists of amounts owed for fiscal years 2000 thru 2002. The amount owed prior to fiscal year 2000, totaling \$165,474 are un-collectible by the City of Albuquerque due to the Statute of Limitations.

The joint use agreement between the City and APS states, "This Agreement is based on the premise that the actual need for repair and maintenance will be proportionate to the amount of use. Thus APS uses the site 35% and the City (public) uses the site 65%. Therefore, the Board shall reimburse the City the same proportionate part of the total actual cost ('Maintenance Costs') incurred by the City of repairing, maintaining, watering and providing custodial care for each." Part E of the same section states, "Both parties shall agree to meet every five (5) years, during the month of December to review and determine the amount of the percentages of Maintenance Costs that each party will be obligated to pay." The City and APS have not met since the inception of this agreement.

This is a repeat finding. Audit report 97-101, Contracts with Albuquerque Public Schools, found that the Parks and General Services Department (PGSD) had entered into an agreement with APS for two parks where APS agreed to "... reimburse the City for 35% of annual maintenance and water cost. This cost will be billed quarterly based on detailed actual expenditures at the facility as documented by the Park Management's Division work order system." This report further indicated "PGSD fiscal personnel were not aware that they should bill APS for the joint use of these two parks. There are no procedures in effect that require the division that negotiates these contracts to inform fiscal personnel of the necessity to bill APS for the joint use of parks when a new agreement is executed. Internal Audit notified PGSD fiscal personnel of the existence of these two contracts in August 1996." The current joint use agreement for the 12 parks was signed in 1997, the same fiscal year that audit report 97-101 went final. However, procedures are not yet in place to ensure that Parks fiscal personnel are notified of joint-use agreements.

The design and development of neighborhood parks is the responsibility of Design, which is now a division of DMD. The maintenance of the parks once they are completed is the responsibility of the Park Maintenance Division of Parks. It is possible that joint use agreements could be negotiated by either of the two departments, thus increasing the potential for communication problems related to the agreements. The Administration should ensure that the responsibility for negotiating park use agreements and communicating with the appropriate fiscal personnel is specifically assigned to one department.

RECOMMENDATION

DMD should implement procedures to ensure that Parks fiscal personnel are notified of current and future joint-use agreements, so that joint partners can be billed for their share of the costs on a timely basis.

Parks should follow the requirements of the joint use agreements and meet with APS every five years.

DMD and Parks should continue to work together when negotiating park joint-use agreements, and maintenance agreements and communicate with the appropriate fiscal personnel.

EXECUTIVE RESPONSE FROM DMDAND PARKS

"Both departments concur. Parks has taken the following actions regarding the Albuquerque Public Schools (APS) and City of Albuquerque Joint Use Parks Agreements:

- 1. All payments for invoices in arrears due and receivable from APS have been received and recorded on the City's books. APS is in complete compliance with all agreements. All payments for prior years have been made.
- 2. All invoices for the current fiscal year have been paid and, at this time, no current invoice payments are due from APS.
- 3. We have negotiated the new rate for FY/05, according to the joint use agreements, and will be billing APS the new rate beginning July 1, 2004, the first day of FY/05.

"The following will occur in response to determining if new joint use agreements are in negotiations or have been completed: The Parks finance manager will send a notification memorandum in the 2nd quarter of each fiscal year to the DMD finance manager requesting written information regarding any new joint use agreements. The response shall be due no later than the last day of January in any given fiscal year. If there are new agreements, this then will allow the Parks Department one month to formulate any changes that need to occur in scheduled maintenance, and changes in billing invoices to APS for the next fiscal year. This will also adhere to APS guidelines. APS has requested official notification of any and all changes in invoice billing

by March 1st of every year, in order to formulate their budget for the next fiscal year. By following this new procedure, communications will occur with APS at least once a year, rather than once every five years as required by the joint use agreements, resulting in better communications between Parks and DMD and Parks and APS."

4. DMD SHOULD ESTABLISH PERFORMANCE GOALS FOR DESIGN.

The City utilizes performance based budgeting where inputs such as appropriations require certain outputs. The intent of performance based budgeting is to have the budget tie to the performance plan, which is approved annually in conjunction with the City of Albuquerque operating budget. A complete performance management system includes performance standards against which actual performance is reported, monitored, and compared. The FY 2004 and FY 2005 performance plans do not include any specific measures for Design. Apparently, the measures were not carried forward when the division was moved to DMD.

We reviewed the prior year performance measures that were directly related to Design. The number of construction projects and renovation projects, and dollars spent on construction projects by City crews were reported as being well below projections for FY 2002 and 2003. Parks personnel told us that each of these projections was over estimated.

If significant differences are identified between the goals and the actual performance, managers should determine the causes of the differences and either develop solutions to bring performance into line with the goal, or adjust the goal to make it more realistic and achievable. Management should consider performance measurement to be an ongoing process. An effective performance measurement system can serve to improve management and increase public confidence in government programs.

RECOMMENDATION

DMD should establish performance measures for Design.

DMD should develop procedures to ensure that the causes of differences between performance goals and actual performance are reviewed, and that Design develops solutions to bring performance into line with the goal, or adjusts the goal to make it more realistic and achievable.

EXECUTIVE RESPONSE FROM CAO AND DMD

"The Administration agrees that, indeed, performance measurement is an ongoing process. Significant resources are dedicated on a year-round basis to reviewing the adequacy and applicability of performance goals, and revising those goals as necessary to make them more meaningful. OMB will work with DMD to improve the use and reporting of performance measures for all their program strategies and service activities. This will occur by the end of August 2004. Mid-year performance measurement reporting will include these new measures."

5. THE CAO SHOULD ENSURE THAT REPRESENTATIVES ARE APPOINTED TO COMMITTEES IN A TIMELY MANNER.

The Selection Advisory Committee (SAC) selects firms or persons to provide professional architectural, engineering, landscape architectural and other related professional services that will cost \$25,000. The SAC submits the names of three qualified professional firms to the Mayor; the Mayor selects a firm from the list and submits the list of firms recommended by the SAC to the Council. The Council approves or disapproves the recommendations made by the Mayor.

During our fieldwork we determined that the SAC did not meet for five months, between September 2002, and March 2003. The SAC did not meet because the SAC chairman believed that the committee could not meet without a Mayor's representative on the committee. Sixteen park projects were put on hold during that five-month period. As of February 23, 2004, the SAC chairman said that Design still has not submitted any projects to his office even though they were encouraged to do so in two previous meetings. The SAC chairman said that he encouraged Design to submit the list of parks on hold to his office as soon as possible in order to avoid a 4 to 6 month wait once the Mayoral representative was appointed.

The SAC could have met without the Mayoral representative since 4 of 5 committee members would constitute a quorum. According to City ordinance section 2-6-1-4 B (5) ROA 1994, "A majority of all the members of a public board, commission or committee shall constitute a quorum for the transaction of business." The SAC chairman should be aware of the requirements of the ordinances involved with the committee. Supervisors should monitor the progress of park development, including the projects on hold and the reasons they are not moving forward. Park projects were delayed that could have been approved by the existing members of the SAC.

The Selection Advisory Committee Ordinance, 14-7-2-3 ROA 1994, states, "A landscape architect who is registered in the state shall be appointed as a member [of the SAC] by the Mayor from a panel which has been appointed by the Mayor with the advice and consent of the Council in the manner prescribed herein." Appointment of key members to decision-making committees is crucial for completing projects in a timely manner.

RECOMMENDATION

The CAO should appoint representatives to the SAC in a timely manner.

DMD should ensure that the SAC chairman and Design supervisors are aware of the ordinance requirements and ensure that park projects are not unnecessarily delayed.

EXECUTIVE RESPONSE FROM CAO

"As noted in the findings, the lack of a mayoral representative on the SAC should not have delayed the work of the SAC. However, the Administration agrees that appointments to decision-making committees should be made in a timely manner to ensure the work of the committee moves forward on a timely basis."

EXECUTIVE RESPONSE FROM DMD

"DMD will take positive steps to ensure that the SAC, its chair and Design supervisors are aware of the ordinance requirements by reviewing the requirements at a SAC meeting no later than August 2004."

6. MISCELLANEOUS FINDINGS

The following findings do not require a response, but should be considered as additional ways to improve the operations of the Parks & Medians Design Division.

A. <u>DMD Should Perform A Review And Analysis Of Grant Documents Before Committing To Expenditures.</u>

In June 2002, the City spent \$70,000 from the general fund on a median project. E-mail between CIP and Parks personnel in April 2002 indicated that a New Mexico State grant from 1998 in the amount of \$100,000 was broad enough to allow Parks to

use the money for the median project. The CIP representative indicated that the grant money needed to be spent by June 2002. Parks, without reviewing the grant document, proceeded with the project. All expenditure activity took place during June 2002. In March 2003, the State denied reimbursement to Parks because the City did not meet the requirements of the agreement governing the grant.

The grant was requested in 1998, by the Public Works Department (PWD) to landscape medians in conjunction with a road project. PWD applied for grants; however, funds for median development were turned over to Design. A cover letter accompanying the grant agreement addressed to PWD, states, "In order to be in compliance with Section Three, Paragraph 13, and avoid termination of this agreement, you must be contractually committed between the City and a contractor by December 16, 1998." The median project was funded entirely with general fund money because the City did not meet this grant requirement. Parks relied on several representations made by a representative of CIP that were not correct. The information that CIP gave to Parks about the grant requirements was taken from a brief description on an automated system rather than the actual grant document.

The CAO should determine what department will be responsible for monitoring grants resources to ensure that funds are used in accordance with the requirements.

DMD should perform a review and analysis of grant documents before committing to expenditures.

B. <u>Planning And Design Personnel Who Are Required To Approve Construction Plans And Drawings Should Be Licensed Landscape Architects.</u>

We reviewed the job descriptions in Design for the Planning and Design Division Manager, the Senior Project Coordinator, and the Principal Project Coordinator.

- The Planning and Design Division Manager is the only person in the division who has a professional landscape architectural license (license). However, the job description for this position does not require the individual to have a license.
- The job description for the Senior Project Coordinator requires this individual to approve design and construction documents. However, this position does not require the individual to possess a license.
- The Principal Project Coordinator position reports directly to the Senior Project Coordinator and the Planning and Design Division Manager. The job description

for this position requires the individual to have a license. This position is currently vacant.

Ideally each of these positions should require the individual to be a professional landscape architect. However, the City is not in violation of licensing requirements because these individuals only manage the projects and do not perform the actual work. Instead, consultants are hired to design the parks

Design management personnel told us that the division has been unsuccessful in hiring licensed landscape architects because the job market is competitive and the salaries offered by the local landscape firms are higher than those offered by the City.

DMD Management should review the job descriptions of the Design Division Manager, Principal Project Coordinator, and Senior Project Coordinator. Licensure should be included as highly desirable for each of the positions.

CONCLUSION

The primary delay in developing parks appears to be insufficient funding for park construction and the lack of a master plan for planning projects. The allocation of resources for park development should be prioritized and funding should be directed to the highest priorities.

By increasing developer fees and updating and adopting the master plan, the Department of Municipal Development can decrease the time necessary to develop parks.

We appreciate the assistance and cooperation of the personnel of Department of Municipal Development and the other City departments and divisions involved in this audit.

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